

**New York State Department of Financial Services
Premium Rate Approval - Decision Summary**

Insurer: Oxford Health Plans, Inc. (Article 44 HMO)
Filing Type: Section 4308(c) Prior Approval Filing
Effective Date: January 1, 2012 through December 31, 2012
SERFF Tracking Number: XFRD-127318574
Lines of Business: Healthy New York Plans (Small Group and Individual)
Rating Structure: Non-Rolling Rates- All Plans renew on January 1, 2012
Affected Members: 28,000 members
Annual Premiums: \$89 million

Summary:

	Requested	Approved	Reduction
Year Over Year	+32.6%	+17.9%	-13.1%

Oxford Healthy New York plans consist of two plans, HNY small group plan and HNY individual plan. Both have the same rates.

The analysis included the following “requested” versus “approved” assumptions for the various parts of the application:

	<u>Requested</u>	<u>Approved</u>
1. Annual Claim Trend Rates	15.1%	10.0%
2. Administrative Expense Ratio	11.4%	10.5%
3. Profit Objective (% of premium, pre-tax)	-1.4%	-2.0%
4. Medical Loss Ratio (MLR)	90.0%	91.5%

Analysis:

The Department reviewed the material that Oxford submitted with the rate application, which included the projected trend assumptions, administrative expense assumptions, projected premiums and claims, profit objective and the development of the needed rate change, as well as comparisons to similar historical data in each of these areas. The Department also considered the insurer’s overall solvency and ability of the insurer to meet its obligations after the Department’s decisions.

Annual Claim Trend:

Oxford is using a +15.1% annual claim trend rate. The Department approves a +10.0% annual claim trend rate because this is closer to the average annualized claim trend that downstate Healthy New York plans are experiencing.

Administrative Expense Ratio:

Oxford's administrative expense ratio is running at about 20.4% of premiums for Healthy New York plans where premiums (PMPM) are running at about \$250.00 to \$275.00 for CY 2009 to CY 2010. Oxford requests a much lower expense ratio of 11.4%. Due to the extreme growth in the Healthy New York enrollment, combined with a significant increase in rates, the Department further reduced the expense ratio to 10.5%.

Profit Objective:

Oxford used a -1.4% profit objective assumption. The Department's action will decrease the profit margin to -2.0%.

Medical Loss Ratio (MLR):

With the administrative expense ratio of 11.4% and profit objective of -2.0%, Oxford's projected loss ratio will be 91.5%.

Standardization of Premiums:

In order to accurately reflect past premium increases that have not yet gone into effect, the Department "standardizes" the premiums requested. Actual premiums earned during calendar year 2010 are converted to include premium increases that Oxford requested for the fourth quarter 2011. The conversion of such premiums done by Oxford is acceptable to the Department.

Decision:

Based on the Department's review and analysis described above, the Department finds that the requested increases should be reduced from +32.6% to +17.9%.